Fiscal Note 2009 Biennium

GOVERNOR'S OFFICE OF BUDGET AND PROGRAM PLANNING

Bill #	SB0543		**Title:**	Revise fiscal note laws
Primary Sponsor:	Balyeat, Joe		**Status:**	As Introduced

- ☐ Significant Local Gov Impact
- ☐ Needs to be included in HB 2
- ☐ Technical Concerns
- ☐ Included in the Executive Budget
- ☐ Significant Long-Term Impacts
- ☐ Dedicated Revenue Form Attached

FISCAL SUMMARY

	FY 2008 Difference	FY 2009 Difference	FY 2010 Difference	FY 2011 Difference
Expenditures:				
General Fund	************************UNKNOWN****************************			
Revenue:				
General Fund	************************UNKNOWN****************************			
Net Impact-General Fund Balance	************************UNKNOWN****************************			

Description of Fiscal Impact:

SB 543 would require fiscal notes to include an estimate of the behavior changes as a result of a bill and the fiscal impact of the behavior change. In addition, SB 543 would require fiscal notes to include cost estimates of the impact to the private sector as a result of a bill.

FISCAL ANALYSIS

Assumptions:

Dynamic Revenue/Behavior Estimating

1. Under a dynamic revenue estimating approach, the direct impact from the given tax law change is assessed, just as under the static approach, but then the analysis is expanded to incorporate the repercussions or secondary feedback effects that would occur in taxpayer behavior and economic activity due to the tax law change. These secondary or feedback effects also would have repercussions on the revenue that would be generated by the tax being changed and other taxes as well. This "static plus price effect" method is not a true dynamic approach because it includes (only) the impact of the initial price change, and does not attempt to estimate any of the other feedback or secondary effects.
2. Montana has a modified static revenue estimating method which is used to estimate the impact of price on taxes when applicable. For example, the amount of cigarettes sold will be influenced by the price, which includes the tax. Thus, when there is a price increase, consumption is estimated to decrease.

3. If a dynamic model is going to be complete, it must take into account the impact of changes in expenditures, as well as revenues that would occur as a result of a tax change.
4. It is not practical to conduct a dynamic analysis for all tax change proposals. Dynamic models are best suited for broad changes in the structure of the major taxes. Relatively small, narrowly focused tax changes are probably not going to be easy to adapt to the model.
5. Under a non-tax dynamic behavior change approach, the direct impact from the current law change is assessed, just as under the current fiscal note process, but then the analysis is expanded to incorporate the repercussions or secondary feedback effects that would occur in citizen behavior which may result in additional costs or reduced costs for services. There may also be economic activity changes due to the behavior change.

Administrative Expense

6. The resource to estimate this expanded and substantially more complicated analysis cannot be estimated.

Sponsor's Initials	*Date*	*Budget Director's Initials*	*Date*